

IRS News Release

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New Schedule Helps Resolve Employment Tax Discrepancies

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WASHINGTON — The IRS is issuing a new schedule to make it easier for taxpayers to provide the IRS with information about employment tax discrepancies created by an acquisition, statutory merger or consolidation.

If an acquisition, statutory merger or consolidation creates a discrepancy between what was reported to the Social Security Administration on Form W-2, Wage and Tax Statement, and what was reported the IRS on Form 941, Employer's Quarterly Federal Tax Return, the employer can use the new Schedule D (Form 941), Report of Discrepancies Caused by Acquisitions, Statutory Mergers, or Consolidations, to explain the discrepancy, even if they e-filed their employment tax returns.

"We are glad to be working with employers to develop administrative solutions to the difficulties they face meeting their tax reporting obligations," said IRS Commissioner Mark W. Everson. "This new form and the related guidance provide employers a uniform way to report discrepancies. Employers will be able to e-file this new schedule in the future."

Employers and the IRS worked together utilizing the Industry Issue Resolution (IIR) program to establish a consistent way to report discrepancies that helps both businesses and the IRS.

Not every employer experiencing a merger or acquisition should file Schedule D (Form 941). Mergers, acquisitions, and other reorganizations generally fall into one of three categories for employment tax reporting purposes:

1. Statutory mergers and consolidations,
2. Acquisitions which satisfy the requirements for predecessor-successor status, or
3. Other acquisitions that are not statutory mergers or consolidations and that do not satisfy the requirements for predecessor-successor status.

Only employers in categories 1 and 2, above, with discrepancies should file Schedule D (Form 941).

Schedule D (Form 941) should be used to explain discrepancies for acquisitions, statutory mergers, or consolidations that are effective on or after January 1, 2005.

In many cases, the information on the Schedule D (Form 941) will enable the IRS to resolve discrepancies without contacting taxpayers thus reducing taxpayer burden. The guidance also eliminates a current barrier to electronic filing by removing the requirement for paper filing of Forms 941. A draft version of Schedule D (Form 941) was released on July 20, 2004. It is available on the Draft Tax Forms page on the Tax Professionals section of IRS.gov.

Revenue Procedure 2004-53 provides guidance on the new Schedule D (Form 941),. It also provides guidance on preparing and filing employment tax returns such as Form W-2, Form 941, and other related forms in certain acquisitions.

The IRS launched the IIR program in 2001 to tackle issues taxpayers, associations and other groups representing businesses want addressed. The program's objective is to resolve frequently disputed or burdensome tax issues. The National Association of Tax Reporting and Payroll Management was the sponsor of the IIR submission that led to the new guidance and the new schedule.

Revenue Procedure 2004-53 will appear in Internal Revenue Bulletin 2004-34, dated August 23, 2004. Information about the IIR program is in Revenue Procedure 2003-36 and is available on IRS.gov.